

# **Township of Marshall Calhoun County, Michigan**

---

**Financial Report  
with Additional Information  
March 31, 2008**

# Township of Marshall

---

## Contents

<b>Report Letter</b>	<b>I</b>
<b>Management's Discussion and Analysis</b>	<b>2-5</b>
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements - Governmental Fund:	
Balance Sheet	8
Statement of Revenue, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	10
Notes to Financial Statements	11-19
<b>Required Supplemental Information</b>	<b>20</b>
General Fund - Budgetary Comparison Schedule	21-24
Note to Budgetary Comparison Schedule	25



Plante & Moran, PLLC  
Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

## Independent Auditor's Report

To the Members of the Board  
Township of Marshall

We have audited the financial statements of the governmental activities and the major fund of the Township of Marshall (the "Township") as of March 31, 2008 and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Marshall's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Township of Marshall as of March 31, 2008 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

July 25, 2008

# **Township of Marshall**

---

## **Management's Discussion and Analysis**

Our discussion and analysis of the Township of Marshall's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- Total net assets related to the Township's governmental activities decreased by approximately \$48,000.
- The Township entered into two installment purchase agreements during the year for a new fire truck and a new substation, resulting in proceeds of \$250,000 and \$500,000, respectively.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

# Township of Marshall

## Management's Discussion and Analysis (Continued)

### The Township as a Whole

The following table shows the net assets as of the current date and comparisons to the prior years' information:

	March 31		
	2008	2007	2006
<b>Assets</b>			
Current assets	\$ 663,116	\$ 677,077	\$ 491,768
Capital assets - Net of accumulated depreciation	<u>1,384,138</u>	<u>753,181</u>	<u>876,695</u>
Total assets	2,047,254	1,430,258	1,368,463
<b>Liabilities</b>			
Current liabilities	208,672	100,754	95,971
Long-term debt	<u>622,654</u>	<u>65,525</u>	<u>139,288</u>
Total liabilities	<u>831,326</u>	<u>166,279</u>	<u>235,259</u>
<b>Net Assets</b>			
Investment in capital assets - Net of debt	595,046	613,893	665,319
Restricted	186,201	165,442	-
Unrestricted	<u>434,681</u>	<u>484,644</u>	<u>467,885</u>
Total net assets	<u>\$ 1,215,928</u>	<u>\$ 1,263,979</u>	<u>\$ 1,133,204</u>

The Township entered into two new installment purchase agreements during the year for the purchase of a new fire truck and construction of a substation. Overall, over \$866,000 of new capital assets were purchased and \$750,000 of new debt was issued. The Township's financial position has remained stable and consistent with 2007, with net assets decreasing approximately \$48,000 in 2008.

# Township of Marshall

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year and comparisons to the prior years' information:

	Year Ended March 31		
	2008	2007	2006
<b>Revenue</b>			
Program revenue - Charges for services	\$ 80,827	\$ 65,341	\$ 104,048
Capital grants and contributions	18,250	12,200	124,663
General revenue:			
Property taxes	361,657	343,933	149,517
State-shared revenue	199,734	247,858	197,496
Unrestricted investment earnings	23,486	28,087	13,322
Total revenue	683,954	697,419	589,046
<b>Program Expenses</b>			
General government	199,025	212,798	197,868
Public safety	445,892	292,412	339,584
Street expenditures	25,131	16,370	25,836
Planning and zoning	34,154	36,932	31,849
Interest on long-term debt	27,803	8,132	-
Total program expenses	732,005	566,644	595,137
<b>Change in Net Assets</b>	<b><u>\$ (48,051)</u></b>	<b><u>\$ 130,775</u></b>	<b><u>\$ (6,091)</u></b>

The change in net assets is approximately \$179,000 lower in 2008 than in 2007, due mostly to an increase in public safety expenses and increase in interest on long-term debt. Public safety expenses increases in 2008 include approximately \$56,500 for depreciation, \$21,900 for salaries, and \$54,600 for minor equipment purchases. Depreciation expense increased due to approximately \$866,000 in new capital asset additions. Salaries increased due to an increase in fire calls in 2008. Minor equipment purchases increased due to supplying the new substation. The interest on long-term debt increased due to the new installment purchase agreement for the new fire truck.

### Governmental Activities

The Township board adopted a resolution in 2004 directing use of fund balance. Much of the fund balance has been designated for future years to assist with "evening out" the expense of fire apparatus replacement and upgrading as well as improvements to the warning siren system.

# **Township of Marshall**

---

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Overall, actual revenues and expenses were as expected. Actual revenues exceed budgeted revenues by approximately \$30,000. Actual expenditures were less than budgeted expenditures by approximately \$238,000. The fire protection and debt service line items accounted for approximately \$201,000 of the excess budget. The largest budget amendments were to record debt payments on the new 2007 fire truck loan and to record debt proceeds and capital outlay for the substation and fire truck purchase.

### **Capital Asset and Debt Administration**

The Township purchased approximately \$866,000 of new assets during the year. The Township continues to pay on the two installment purchase agreements for a fire truck and sirens. In addition, the Township entered into two new debt agreements in the current year for the purchase of a new truck in the amount of \$250,000 and the construction of the substation for \$500,000.

### **Economic Factors and Next Year's Budgets and Rates**

Aside from the items disclosed above, we have no reason to believe that the Township will experience a change in its financial position or results of operations.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# Township of Marshall

---

## Statement of Net Assets March 31, 2008

### Assets

Cash and investments (Note 2)	\$ 604,003
Delinquent taxes receivable	11,927
Other accounts receivable	47,186
Capital assets - Net of accumulated depreciation (Note 3)	<u>1,384,138</u>

Total assets 2,047,254

### Liabilities

Accounts payable	13,429
Accrued interest	16,449
Other current liabilities	12,356
Noncurrent liabilities (Note 4):	
Due within one year	166,438
Due in more than one year	<u>622,654</u>

Total liabilities 831,326

### Net Assets

Investment in capital assets - Net of debt	595,046
Restricted - Fire	186,201
Unrestricted	<u>434,681</u>

Total net assets \$ 1,215,928



# Township of Marshall

## Statement of Activities Year Ended March 31, 2008

				Net (Expense) Revenue and Changes in Net Assets
		Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions	Total Primary Governmental Activities
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
General government	\$ 199,025	\$ 51,903	\$ 18,250	\$ (128,872)
Public safety	445,892	28,924	-	(416,968)
Street expenditures	25,131	-	-	(25,131)
Planning and zoning	34,154	-	-	(34,154)
Interest on long-term debt	27,803	-	-	(27,803)
Total primary government	<u>\$ 732,005</u>	<u>\$ 80,827</u>	<u>\$ 18,250</u>	(632,928)
General revenues:				
Property taxes				361,657
State-shared revenues				199,734
Unrestricted investment earnings				<u>23,486</u>
Total general revenues				<u>584,877</u>
<b>Change in Net Assets</b>				(48,051)
<b>Net Assets - Beginning of year -</b>				
As restated (Note 1)				<u>1,263,979</u>
<b>Net Assets - End of year</b>				<u><b>\$ 1,215,928</b></u>

# Township of Marshall

## Governmental Fund Balance Sheet March 31, 2008

	<u>General Fund</u>
<b>Assets</b>	
Cash and investments (Note 2)	\$ 604,003
Delinquent taxes receivable	11,927
Other accounts receivable	<u>31,394</u>
Total assets	<u><b>\$ 647,324</b></u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 13,429
Other current liabilities	<u>12,356</u>
Total liabilities	25,785
<b>Fund Balances</b>	
Designated (Note 5)	105,378
Reserved - Fire	186,201
Undesignated, unreserved	<u>329,960</u>
Total fund balance	<u>621,539</u>
Total liabilities and fund balance	<u><b>\$ 647,324</b></u>
<b>Reconciliation to the Statement of Net Assets</b>	
<b>Fund Balance</b> - Total governmental fund	\$ 621,539
Long-term liabilities not due and payable in the current period and not reported in the funds	(789,092)
Accrued interest	(16,449)
State-shared revenue receivable is not reported in the funds until collected or collectible within 60 days of year end	15,792
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>1,384,138</u>
Total	<u><b>\$ 1,215,928</b></u>

# Township of Marshall

## **Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended March 31, 2008**

	<u>General Fund</u>
<b>Revenue</b>	
Taxes	\$ 361,657
Licenses and permits	28,924
State sources	199,792
Charges for services	51,903
Interest	23,486
Other	<u>18,250</u>
Total revenue	684,012
<b>Expenditures</b>	
General government	218,882
Public safety	1,168,542
Street expenditures	25,131
Planning and zoning	<u>34,154</u>
Total expenditures	<u>1,446,709</u>
<b>Excess of Expenditures Over Revenue</b>	(762,697)
<b>Other Financing Sources</b> - Issuance of debt	<u>750,000</u>
<b>Change in Fund Balance</b>	(12,697)
<b>Fund Balance</b> - Beginning of year - As restated (Note 1)	<u>634,236</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 621,539</u></u>

# Township of Marshall

---

## Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities Year Ended March 31, 2008

<b>Net Change in Fund Balances - Total Governmental Fund</b>	\$	(12,697)
--	----	----------

Amounts reported for governmental activities in the statement of activities  
are different because:

Accrued interest is reported in the statement of activities, but not in the governmental fund		(16,449)
--	--	----------

Governmental funds report capital outlays as expenditures; in the  
statement of activities, these costs are allocated over their  
estimated useful lives as depreciation:

Asset purchases		866,151
Depreciation		(235,194)

State-shared revenues are recorded in the statement of activities when the revenues are earned; they are not reported in the funds until collected or collectible within 60 days of year end		(58)
--	--	------

Debt proceeds not reported as financing sources on the statement of activities		(750,000)
---	--	-----------

Repayment of debt is an expenditure in the governmental fund, but not in the statement of activities (where it reduces long-term debt)		100,196
---	--	---------

<b>Change in Net Assets of Governmental Activities</b>	\$	<u><u>(48,051)</u></u>
--	----	------------------------

# **Township of Marshall**

---

## **Notes to Financial Statements March 31, 2008**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township of Marshall, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Township is governed by an elected five-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

The Township is a member of the Marshall Area Firefighters Ambulance Authority (the "Authority"). The Authority receives a millage to provide emergency medical services to the Township along with other townships and cities that are part of the Authority. The Township does not have an equity interest in the Authority.

#### **Government-wide and Fund Financial Statements**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

# Township of Marshall

---

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, property taxes, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental fund:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

#### Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

The 2007 taxable valuation of the Township totaled \$121 million, on which taxes levied consisted of .8061 mills for operating purposes and 1.5 mills for the purpose of acquiring new fire trucks, capital improvements, and operating expenses of the Marshall Township Fire Department. This resulted in approximately \$98,000 for operating purposes and \$182,000 for the fire department. These amounts are recognized in the General Fund financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Building and improvements	10-40 years
Equipment	5-10 years

# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Restatement of Net Assets and Fund Balance** - Beginning of year net assets and fund balance have been restated for governmental activities and the General Fund to account for state-shared revenue of \$48,486 and \$32,636, respectively, earned in 2007, but not recorded until the year ended March 31, 2008.

Net assets - Beginning of year, as originally reported	\$ 1,215,493
State-shared revenue receivable	<u>48,486</u>
Net assets - Beginning of year, as adjusted	<u><u>\$ 1,263,979</u></u>
Fund balance - Beginning of year, as originally reported	\$ 601,600
State-shared revenue receivable	<u>32,636</u>
Fund balance - Beginning of year, as adjusted	<u><u>\$ 634,236</u></u>



# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the same investments listed above in accordance with the statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$305,647 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Credit Rate Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

The Township has the following investment with credit risk and the applicable rating:

<u>Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Government Agency Bond Pool	\$ 27,988	Unrated

# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 2 - Deposits and Investments (continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township does not specifically identify interest rate risk in the investment policy adopted by the Township. The Township has the following investment with interest rate risk:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Government Agency Bond Pool	\$ 27,988	1/15/2023

### Note 3 - Capital Assets

A summary of changes in capital assets follows:

<b>Governmental Activities</b>	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Capital assets being depreciated:				
Land improvements	\$ 25,818	\$ -	\$ -	\$ 25,818
Buildings and improvements	169,890	530,224	-	700,114
Equipment	1,207,737	335,927	-	1,543,664
Subtotal	1,403,445	866,151	-	2,269,596
Accumulated depreciation:				
Land improvements	7,610	1,291	-	8,901
Buildings and improvements	73,520	18,007	-	91,527
Equipment	569,134	215,896	-	785,030
Subtotal	650,264	235,194	-	885,458
Net capital assets	<u>\$ 753,181</u>	<u>\$ 630,957</u>	<u>\$ -</u>	<u>\$ 1,384,138</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,996
Public safety	220,198
Total governmental activities	<u>\$ 235,194</u>

# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 4 - Long-term Debt

The Township has a bank installment contract with \$30,000 outstanding at March 31, 2008 for the purchase of fire equipment. Payments are quarterly, including interest at 2.99 percent. The contract is due in November 2008.

The Township has a vendor installment contract with \$35,525 outstanding at March 31, 2008 for the purchase of sirens and related equipment. Payments are made annually including interest at 5.22 percent. The contract is due in August 2008.

The Township has a bank installment contract with \$500,000 outstanding at March 31, 2008 for the payment of the construction project for the new substation. Payments are made annually including interest at 4.44 percent. The contract is due in July 2017.

The Township has a bank installment contract with \$223,567 outstanding at March 31, 2008 for the purchase of a new fire truck. Payments are made monthly including interest at 4.375 percent. The contract is due in September 2012.

### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2008:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Installment purchase agreement - Fire truck	2.99%	\$30,000 - \$40,000	\$ 70,000	\$ -	\$ (40,000)	\$ 30,000	\$ 30,000
Installment purchase agreement - Sirens	5.22%	\$33,763 - \$35,525	69,288	-	(33,763)	35,525	35,525
Installment purchase agreement - Substation	4.44%	\$50,000	-	500,000	-	500,000	50,000
Installment purchase agreement - Fire truck	4.38%	\$18,418 - \$53,673	-	250,000	(26,433)	223,567	50,913
Total			<u>\$ 139,288</u>	<u>\$ 750,000</u>	<u>\$ (100,196)</u>	<u>\$ 789,092</u>	<u>\$ 166,438</u>

# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 4 - Long-term Debt (Continued)

#### Debt Service Requirements

The annual debt service requirements are as follows:

Years Ending March 31	Principal	Interest	Total
2009	\$ 166,438	\$ 33,727	\$ 200,165
2010	99,184	26,555	125,739
2011	101,379	22,140	123,519
2012	103,673	17,626	121,299
2013	68,418	13,488	81,906
2014 and thereafter	250,000	33,300	283,300
Total	<u>\$ 789,092</u>	<u>\$ 146,836</u>	<u>\$ 935,928</u>

### Note 5 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

Township development	\$ 23,000
Fire truck and equipment	<u>82,378</u>
Total	<u>\$ 105,378</u>

### Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits. The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

# Township of Marshall

## Notes to Financial Statements March 31, 2008

### Note 7 - Construction Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that the collection of these fees be used for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Permit charges	\$ 24,147
Inspector fees	<u>(37,732)</u>
Expenditures over revenue	(13,585)
Beginning balance of reserve	<u>(32,918)</u>
Ending balance of reserve	<u>\$ (46,503)</u>

### Note 8 - Defined Contribution Retirement Plan

The Township provides retirement benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes 3 percent of employees' gross earnings for employees with wages greater than \$5,000 during the fiscal year. In accordance with these requirements, the Township contributed \$2,286 during the year ended March 31, 2008.

## **Required Supplemental Information**

---

# Township of Marshall

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
<b>Revenue</b>				
Taxes	\$ 331,600	\$ 348,995	\$ 350,971	\$ 1,976
Street lights - Special assessment	10,740	10,740	10,686	(54)
Licenses and permits	33,700	33,700	28,924	(4,776)
State sources	200,000	200,000	199,792	(208)
Charges for services	25,000	25,000	51,903	26,903
Interest	15,000	15,000	23,486	8,486
Other	-	18,250	18,250	-
Total revenue	616,040	651,685	684,012	32,327
<b>Expenditures</b>				
General government:				
Supervisor:				
Salary	-	-	12,245	-
Payroll taxes	-	-	937	-
Total supervisor	13,500	13,500	13,182	318
Clerk:				
Salary	-	-	18,191	-
Deputy clerk	-	-	1,132	-
Payroll taxes	-	-	1,478	-
Education	-	-	1,213	-
Other	-	-	850	-
Total clerk	22,750	23,000	22,864	136
Treasurer:				
Salary	-	-	17,499	-
Payroll taxes	-	-	1,339	-
Supplies	-	-	216	-
Other	-	-	525	-
Total treasurer	23,000	23,000	19,579	3,421

# Township of Marshall

## Required Supplemental Information Budgetary Comparison Schedule (Continued) General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
<b>Expenditures (Continued)</b>				
General government (Continued):				
Township board:				
Salaries	\$ -	\$ -	\$ 4,272	\$ -
Payroll taxes	-	-	199	-
Pension	-	-	46	-
Memberships and dues	-	-	3,724	-
Supplies	-	-	2,874	-
Insurance and bonds	-	-	26,060	-
Professional services	-	-	10,773	-
Postage	-	-	2,507	-
Other	-	-	1,366	-
Total township board	65,900	60,000	51,821	8,179
Township hall:				
Salary	-	-	6,513	-
Payroll taxes	-	-	497	-
Repair and maintenance	-	-	15,727	-
Telephone	-	-	3,427	-
Gas and electric	-	-	8,975	-
Office supplies	-	-	1,810	-
Office equipment	-	-	38,066	-
Snow removal	-	-	3,868	-
Lawn care	-	-	1,770	-
Total Township hall	42,000	98,250	80,653	17,597
Elections:				
Salary	-	-	5,097	-
Payroll taxes	-	-	371	-
Other	-	-	2,170	-
Total elections	6,800	8,800	7,638	1,162
Board of Review	2,100	2,100	2,370	(270)
Cemetery	4,400	4,400	3,774	626



# Township of Marshall

## Required Supplemental Information Budgetary Comparison Schedule (Continued) General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
<b>Expenditures (Continued)</b>				
General government (Continued):				
Assessor:				
Assessor and tax roll preparation	\$ -	\$ -	\$ 16,965	\$ -
Office supplies	-	-	36	-
Total assessor	18,500	18,500	17,001	1,499
Total general government	198,950	251,550	218,882	32,668
Public safety:				
Fire protection:				
Salaries	-	-	78,683	-
Payroll taxes	-	-	6,213	-
Operating supplies and maintenance	-	-	35,094	-
Other	-	-	5,768	-
Capital outlay	-	-	892,324	-
Membership and dues	-	-	540	-
Utilities	-	-	638	-
Total fire protection	307,355	1,073,900	1,019,260	54,640
Inspection:				
Salaries	-	-	14,799	-
Building inspector	-	-	11,360	-
Plumbing inspector	-	-	1,219	-
Mechanical inspector	-	-	3,642	-
Electrical inspector	-	-	3,330	-
Payroll taxes	-	-	2,598	-
Miscellaneous	-	-	784	-
Total inspection	37,000	41,000	37,732	3,268
Debt service	43,300	220,300	74,170	146,130
Siren replacements	37,380	37,380	37,380	-
Total public safety	425,035	1,372,580	1,168,542	204,038

# Township of Marshall

## Required Supplemental Information Budgetary Comparison Schedule (Continued) General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable) with Amended Budget
<b>Expenditures (Continued)</b>				
Utilities - Lighting	\$ 12,945	\$ 12,945	\$ 14,746	\$ (1,801)
Street care	17,500	13,000	10,385	2,615
Planning and zoning:				
Planning and zoning consultant	-	-	6,247	-
Board salaries	-	-	7,075	-
Administrative salaries	-	-	17,251	-
Payroll taxes	-	-	1,488	-
Supplies and other	-	-	2,093	-
Total planning and zoning	35,000	35,000	34,154	846
Total expenditures	689,430	1,685,075	1,446,709	238,366
<b>Excess of Expenditures Over Revenue</b>	(73,390)	(1,033,390)	(762,697)	(270,693)
<b>Other Financing Sources - Debt issuance</b>	-	750,000	750,000	-
<b>Net Change in Fund Balance</b>	(73,390)	(283,390)	(12,697)	(270,693)
<b>Fund Balance - Beginning of year - as restated</b>	634,236	634,236	634,236	-
<b>Fund Balance - End of year</b>	<u>\$ 560,846</u>	<u>\$ 350,846</u>	<u>\$ 621,539</u>	<u>\$ (270,693)</u>

# **Township of Marshall**

---

## **Note to Budgetary Comparison Schedule Year Ended March 31, 2008**

### **Note - Stewardship**

The annual budget is prepared by the Township treasurer and presented to the board by the supervisor. The annual budget is adopted by the Township board and subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2008 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (General Fund - budgetary comparison schedule) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual expenditures to the General Fund budget, as adopted by the Township board, is included in the additional information. This comparison includes expenditure budget overruns.

**Township of Marshall  
Calhoun County, Michigan**

---

**Report to the Township Board  
March 31, 2008**



**Plante & Moran, PLLC**

Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

To the Township Board  
Township of Marshall  
Calhoun County, Michigan

We have recently completed our audit of the basic financial statements of Township of Marshall (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

	<u>Page</u>
<b>Report on Internal Control</b>	2-3
<b>Results of the Audit</b>	4-6
<b>Summary of Unrecorded Possible Adjustments</b>	7

We are grateful for the opportunity to be of service to the Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

July 25, 2008

## **Report on Internal Control**

July 25, 2008

To the Township Board  
Township of Marshall  
Calhoun County, Michigan

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township of Marshall's (the "Township") financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

To the Township Board  
Township of Marshall

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. We believe that the following deficiencies constitute material weaknesses.

### **Accounts Payable Identification**

During the audit, we noted that there is no review of subsequent disbursements or accounts payable listing to determine if all liabilities have been accrued in the proper period. We recommend that the Township begin to review disbursements near year end and the accounts payable listing to determine if all payables have been properly accrued.

### **Audit Adjustments**

As part of the audit process, several audit adjustments, including reclassifications of expenses to proper accounts, adjusting the financial records from cash to accrual basis, and the prior period adjustment to properly record state-shared revenue, were recommended to management and made to adjust general ledger balances as of March 31, 2008. The journal entries were necessary in order for the financial statements to be materially correct.

This communication is intended solely for the information and use of management, the Township board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon L. Vargo, CPA  
Partner

## **Results of the Audit**

July 25, 2008

To the Township Board  
Township of Marshall

We have audited the financial statements of the Township of Marshall (the "Township") for the year ended March 31, 2008 and have issued our report thereon dated July 25, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 13, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to the clerk in our meeting about planning matters on June 3, 2008.



To the Township Board  
Township of Marshall

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008, except for the treatment of the April state-shared revenue payment recorded as a receivable as of March 31, 2008. The sales tax period covered under the April payment is for February and March; thus, it should be a receivable as of year end.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatement detected as a result of audit procedures was corrected by management. One entry was made to record the capital expenditure for the new fire truck of \$306,542 in the proper account. There was no income effect from this entry.

To the Township Board  
Township of Marshall

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated July 25, 2008.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the Township board and management of Marshall Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon L. Vargo, CPA  
Partner

Client: Township of Marshall  
 Opinion Unit: Governmental Activities  
 Y/E: 3/31/2008

# **SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

Increases (Decreases)

Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
<b>Known Misstatements:</b>						
AI	To record accrued interest on siren debt		\$ 1,236			\$ 1,236
<b>Estimate Adjustments:</b>						
	To capitalize accrued interest on substation	\$ 16,449				(16,449)
<b>Implied Adjustments:</b>						
	None					
		-	-	\$ -	\$ -	-
	Combined effect	<u>\$ 16,449</u>	<u>\$ 1,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,213)</u>